

Message Text

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TO AMEMBASSY TEHRAN NIACT IMMEDIATE

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EXDIS MILITARY ADDEE HANDLE AS SPECAT EXCLUSIVE

E.O. 11652: GDS

TAGS: PFOR MASS US JO

SUBJECT: SALE OF U.S. AIR DEFENSE SYSTEM TO JORDAN

REF: TEHRAN 3792 (NOTAL)

1. PRESS STORIES TO WHICH YOU REFER STEM FROM INTERVIEW WITH JORDANIAN PRIMIN RIFAI CARRIED IN LONDON TIMES APRIL 14, IN WHICH HE WAS QUOTED AS SAYING THAT GOJ HAS CANCELLED PLANS TO PURCHASE AN AIR DEFENSE SYSTEM FROM THE U.S. RIFAI REPORTEDLY CLAIMED CANCELLATION RESULTED FROM MAJOR INCREASE IN OVERALL COST OF HAWK/VULCAN PACKAGE THAT WENT FAR BEYOND ORIGINAL AMOUNT WHICH SAUDI ARABIA HAD AGREED TO FINANCE, A DEVELOPMENT WHICH HE BLAMED ON "DELAYS CAUSED BY OPPOSITION FROM THE U.S. CONGRESS." HE ADDED THAT "THE ONLY OPTION NOW IS THE SOVIET UNION" AND INDICATED GOJ WOULD SOON APPROACH SOVS RE ACQUISITION OF COMPARABLE AIR

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DEFENSE EQUIPMENT.

2. WE HAVE REPEATED RELEVANT PORTIONS OF TIMES INTERVIEW TO YOU IN SEPTEL. YOU WILL NOTE FROM TRANSCRIPT OF APRIL 14 DEPARTMENTAL PRESS BRIEFING (STATE 90441) THAT DEPT SPOKESMAN, IN RESPONDING TO QUERIES GENERATED BY RIFAI INTERVIEW, INDICATED THAT AS FAR AS USG IS CONCERNED HAWK/VULCAN DEAL IS STILL VERY MUCH ALIVE AND THAT OUR DISCUSSIONS WITH BOTH JORDANIANS AND SAUDIS RE ITS IMPLEMENTATION ARE CONTINUING.

3. ESSENTIAL BACKGROUND RE ORIGIN AND NATURE OF JORDANIAN-SAUDI IMPASSE OVER FUNDING OF HAWK/VULCAN SYSTEM WAS CONVEYED TO YOU FOR USE WITH SHAH ON MARCH 16 (STATE 63335). SINCE THAT TIME, WE HAVE WORKED HARD TO HELP RESOLVE THIS PROBLEM TO MUTUAL JORDANIAN AND SAUDI SATISFACTION. WHILE RECOGNIZING THAT HAWK/VULCAN FINANCING ARRANGEMENTS ARE PRIMARILY A MATTER FOR CONSIDERATION BETWEEN GOJ AND SAG, WE HAVE SOUGHT TO OUTLINE TO SAUDIS THE MILITARY JUSTIFICATIONS FOR THE 14 HAWK BATTERY/100 VULCAN GUN SYSTEM WHICH KING HUSSEIN REGARDS AS ESSENTIAL FOR JORDAN'S AIR DEFENSE, AND WE HAVE ASKED THEM TO CONSIDER SUPPLYING MORE FUNDS THAN THE DOLS 300 MILLION THEY HAVE OFFERED SO FAR. WE ARE STILL AWAITING A DEFINITIVE SAUDI RESPONSE TO THIS REQUEST, WHICH WAS ACCOMPANIED BY SOME CAREFULLY WORKED-OUT ALTERNATIVE PROPOSALS FOR A HAWK/VULCAN PACKAGE THAT WOULD MEET JORDAN'S BASIC AIR DEFENSE NEEDS AT REDUCED COST.

4. IN MEANTIME, WE REITERATED TO KING HUSSEIN DURING HIS MARCH 30-APRIL 1 VISIT TO WASHINGTON THAT WE ARE STILL IN TOUCH WITH THE SAUDIS IN AN EFFORT TO OBTAIN THEIR AGREEMENT TO FINANCE JORDAN'S AIR DEFENSE SYSTEM.

ALTHOUGH AS RECENTLY

AS APRIL 4, DURING HIS TAPED APPEARANCE ON ABC'S "ISSUES AND ANSWERS," HUSSEIN COMMENTED ONLY THAT "SOME DIFFICULTIES" HAD ARISEN BETWEEN GOJ AND SAG IN CONNECTION WITH FINANCING OF HAWK/VULCAN SALE, BOTH HE (IN LOS ANGELES, APRIL 6) AND RIFAI (LONDON, APRIL 14) HAVE SINCE CHOSEN PUBLICLY TO DESCRIBE THE DEAL AS HAVING FAILED. THEIR REMARKS ARE LIABLE TO COMPLICATE OUR CONTINUING EFFORTS WITH THE SAUDIS.

5. RIFAI'S ALLEGATION THAT PRICE INCREASES WERE CAUSED BY CONGRESSIONAL "DELAYS" IS OF COURSE INCORRECT.

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THERE HAVE BEEN NO RPT NO PRICE RISES IN CONNECTION WITH ANY OF THE LETTERS OF OFFER THAT WERE NOTIFIED TO CONGRESS LAST JULY (I.E., THOSE COVERING BASIC HARDWARE--VALUED AT DOLS 342 MILLION--FOR THE ENTIRE HAWK/VULCAN PACKAGE), NOR WITH ANY OF THE SOFTWARE LOA'S SIGNED BY GOJ SINCE THEN. (OVERALL ESTIMATED COST OF DOLS 713 MILLION FOR THE ENTIRE PACKAGE AS ORIGINALLY CONCEIVED INCLUDED NOT ONLY BASIC HAWK/VULCAN HARDWARE BUT A WIDE RANGE OF

SUPPORT EQUIPMENT, TRAINING, CONSTRUCTION AND CONTRACTOR/ LOGISTICAL SERVICES. NONE OF THESE ITEMS HAS CHANGED SIGNIFICANTLY IN COST EITHER).

6. ATTITUDES OF HUSSEIN AND RIFAI MAY BE INFLUENCED BY KNOWLEDGE THAT THERE ARE LESS THAN THREE WEEKS LEFT IN WHICH TO RESOLVE THE JORDANIAN-SAUDI FUNDING IMPASSE. ON APRIL 30, EXISTING CONTRACTS WITH AMERICAN SUPPLIERS OF JORDAN'S HAWK/VULCAN EQUIPMENT--WHICH DOD ENTERED INTO FOLLOWING GOJ ACCEPTANCE OF THE BASIC HARDWARE LOA'S IN LATE 1975, AND WHICH WE HAVE KEPT IN TEMPORARY "HOLD" STATUS SINCE JANUARY 29--WILL HAVE TO BE CANCELLED UNLESS WE HAVE RECEIVED ASSURANCES OF ADEQUATE FINANCING. IF THE PROGRAM WERE TO BE REINSTITUTED AT A LATER DATE, THE CONTRACTS WOULD HAVE TO BE RENEGOTIATED AND THEIR COSTS WOULD BE CONSIDERABLY HIGHER, OWING TO INFLATION.

7. YOU MAY DRAW UPON FOREGOING AS NECESSARY IN YOUR APRIL 17 AUDIENCE WITH SHAH. WE HAVE TRIED TO SET OUT FACTS RE THIS COMPLICATED ISSUE AS CLEARLY AS POSSIBLE, IN HOPES OF AVOIDING ANY MISAPPREHENSIONS SUCH AS THOSE REPORTEDLY CONVEYED BY SHAH TO HUSSEIN DURING LATTER'S STOP-OVER IN TEHRAN IN MID-MARCH (AMMAN 1482). ESSENTIAL FACTS WHICH YOU SHOULD EMPHASIZE TO SHAH ARE THAT WE ARE STILL ACTIVELY ENGAGED IN TRYING TO RESOLVE JORDANIAN-SAUDI FUNDING IMPASSE TO SATISFACTION OF ALL CONCERNED, THAT RIFAI'S ALLEGATIONS RE PRICE RISES ARE SIMPLY NOT TRUE, AND THAT--AS NOTED PARA 6 STATE 63335--WE SHARE SHAH'S HOPE THAT GOJ MIGHT BE DISSUADED FROM ENTERING INTO A MAJOR ARMS-SUPPLY RELATIONSHIP WITH USSR. KISSINGER

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